

Message Text

CONFIDENTIAL

PAGE 01 STATE 184196

71

ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 SAM-01 OES-06

SP-02 SS-15 STR-04 ACDA-07 NSCE-00 SSO-00 USIE-00

INRE-00 PA-01 PRS-01 /097 R

DRAFTED BY EB/IFD/OMA:BGCROWE:DLS:RJRYAN

APPROVED BY EB:JAGREENWALD

TREASURY:SCANNER

EUR/RPE:AALBRECHT

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

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AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY BONN IMMEDIATE

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C O N F I D E N T I A L STATE 184196

DELIVER ACTION OFFICES OPENING OF BUSINESS JULY 26

E.O. 11652: GDS

TAGS: EFIN, EEC

SUBJECT: EC COMMISSION PROPOSALS TO RESOLVE CIEC IMPASSE

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 184196

REF: EC BRUSSELS 7275

1. REFTTEL ADVISES THAT EC COMMISSION WILL PROPOSE ON JULY 27 THAT EC ACCEPT WITH MINOR MODIFICATIONS REVISED G-19 DRAFT TEXT ON DIVISION OF WORK ON DEBT IN CIEC. THE COMMISSION APPARENTLY FEELS THAT THIS MAJOR CONCESSION IS NECESSARY TO PRESERVE CIEC DIALOGUE AND TO PRECLUDE PROBLEMS ON INDEXATION ISSUE. ACCEPTANCE OF G-19 TEXT WOULD IMPLY AGREEMENT IN ADVANCE TO INCLUDE PROPOSALS FOR IMMEDIATE DEBT RELIEF IN DECEMBER MINISTERIAL PACKAGE. IN OUR VIEW, THIS IS TACTICALLY UNWISE. WE ARE CONCERNED THAT THE COMMISSION PROPOSAL, IF EC MEMBER STATES ACCEPTED IT, WOULD PRODUCE MAJOR SPLIT WITH U.S.

2. WE BELIEVE AT LEAST SOME EC MEMBERS (PARTICULARLY FRG AND POSSIBLY FRANCE) ALSO HAVE SERIOUS RESERVATIONS ABOUT COMMISSION PROPOSAL. IN ANY CASE, WE WANT ALL EC MEMBERS AND COMMISSION TO HAVE CLEAREST POSSIBLE IDEA OF U.S. VIEWS DURING THEIR DELIBERATIONS. POSTS IN EC CAPITALS SHOULD THEREFORE CONTACT OFFICIALS AT APPROPRIATELY HIGH LEVEL IN BOTH FOREIGN AND FINANCE MINISTRIES TO CLARIFY U.S.

POSITION AND EC BRUSSELS SHOULD DO SAME WITH KEY COMMISSION OFFICIALS. THIS NEEDS TO BE DONE JULY 26 IN ORDER TO HAVE IMPACT BEFORE EC MEETINGS BEGIN JULY 27.

3. TWO SEPTELS SENT FROM WASHINGTON JULY 24 CONTAIN BACKGROUND ON DEBT DISCUSSION IN JULY CIEC MEETING, OUR REASONS FOR OPPOSING G-19 REVISED TEXT AND OUR OVERALL POSITION ON DEBT MATTERS. YOU SHOULD DRAW ON THEM IN MAKING YOUR APPROACHES. IN ADDITION, YOU SHOULD HIGHLIGHT THE POINTS IN THE FOLLOWING PARAGRAPH AND EMPHASIZE AGAIN THAT CLOSE U.S./EC COOPERATION IS ESSENTIAL TO A SATISFACTORY CIEC OUTCOME.

4. FROM A TACTICAL STANDPOINT, ACCEPTANCE OF CURRENT G-19 DEMANDS ON DEBT WOULD HAVE WIDE REPERCUSSIONS. IT PUTS THE G-8 IN THE POSITION OF APPEARING TO BE WILLING TO TAKE ANY G-19 PROPOSAL, HOWEVER UNREASONABLE, IN ORDER TO KEEP DIALOGUE GOING. IT WOULD THUS ENCOURAGE THE G-19 TO USE SIMILAR TACTICS WHENEVER PROGRESS IN CIEC WAS NOT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 184196

TO THEIR LIKING. MOREOVER, EVEN IF G-8 WERE PREPARED TO MAKE SUBSTANTIAL CONCESSIONS ON DEBT, NOW IS NOT THE TIME TO MAKE THEM.

5. WE DO NOT TAKE CURRENT G-19 POSITION ON PROTECTION OF PURCHASING POWER TO BE FIRM. PRIOR TO DEADLOCK ON DEBT, THERE WAS ALREADY VITAL AGREEMENT ON WORK PROGRAM LANGUAGE FOR THIS ITEM. HARDENED G-19 POSITION ON

INDEXATION WAS APPARENTLY TACTIC DESIGNED TO INCREASE PRESSURE ON DEBT ISSUE. IN OUR VIEW, WE SHOULD RESIST LINKAGE OF TWO ISSUES AND INSTEAD TREAT THEM ON THEIR MERITS.

6. U.S. IS FULLY PREPARED TO NEGOTIATE LANGUAGE AND PROCEDURES WHICH WOULD LEAVE DOOR OPEN FOR G-19 TO RAISE THEIR CONCEPTS OF GENERALIZED DEBT RELIEF IN THE DEVELOPMENT COMMISSION WITHOUT ANY ADVANCE COMMITMENT TO FORMULATING PROPOSALS IN THIS REGARD. WE ARE ALSO PREPARED TO RESUME CIEC DIALOGUE IN SEPTEMBER AND WORK SERIOUSLY TO IDENTIFY ACTION PROPOSALS AS AGREED AT SENIOR OFFICIALS MEETING. IN FIELD OF DEBT, THIS APPLIES PARTICULARLY TO IMPLEMENTATION OF UNCTAD RESOLUTION ON DEBT. WE WOULD HOPE THAT OTHER MEMBERS OF G-8 WOULD ADOPT SIMILAR POSTURE VIS-A-VIS G-19.

7. THE WIDE DIVERSITY OF DEBT SITUATIONS AMONG LEAST DEVELOPED AND MSAS CLEARLY CALLS FOR A CASE-BY-CASE APPROACH RATHER THAN A GENERALIZED ONE WHICH DISREGARDS BOTH NEED AND PERFORMANCE. THE INTERESTS OF THE POOREST

ARE BETTER SERVED BY FOCUSING ON IMPROVEMENTS IN THE QUALITY AND QUANTITY OF OVERALL ASSISTANCE RATHER THAN TREATING WHAT IS ESSENTIALLY AN ASSISTANCE PROBLEM AS ONE OF DEBT. (PARIS AND BONN IN PARTICULAR MAY WISH TO STRESS THAT INDIA AND PAKISTAN ARE ONLY MAJOR GAINERS FROM GENERALIZED DEBT RELIEF. GIVEN OVERALL LDC BALANCE OF PAYMENTS PROBLEMS, THIS IS NOT EQUITABLE SINCE PAKISTAN IS ALREADY IN THE MIDDLE OF A FOUR YEAR DEBT RELIEF AGREEMENT AND INDIA'S EXTERNAL POSITION IS BETTER THAN IT HAS BEEN FOR YEARS.) ROBINSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, ECONOMIC COOPERATION, MEETINGS, INTERNATIONAL ORGANIZATIONS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE184196
Document Source: CORE
Document Unique ID: 00
Drafter: BGCROWE:DLS:RJRYAN
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760286-0254
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760724/aaaaaupx.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 7275
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2004 by greeneet>; APPROVED <12 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC COMMISSION PROPOSALS TO RESOLVE CIEC IMPASSE CONFIDENTIAL
TAGS: EFIN, EEC, CIEC
To: EC BRUSSELS MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006